



Petroleum Market Report

March 27, 2000

Energy Information Administration
Office of Oil & Gas

MARKET SUMMARY

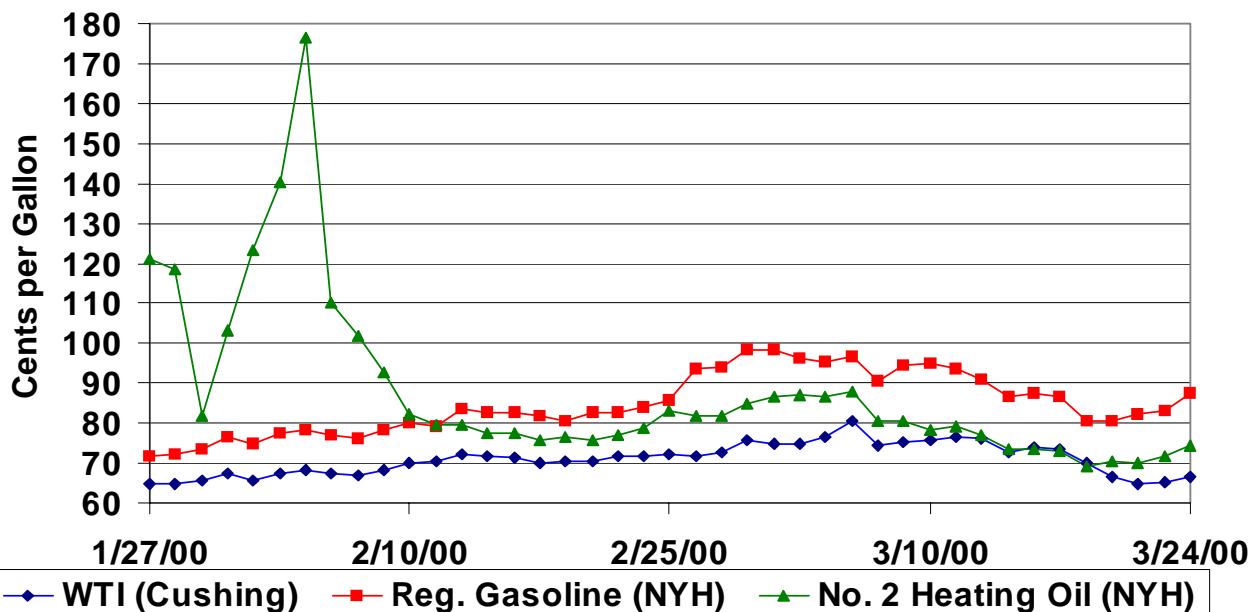
Last week's price movements on world and U.S. oil markets were mixed, reflecting an uncertain outlook ahead of the OPEC meeting starting March 27 in Vienna. Expectations about output increases likely to result from the meeting, as well as possible subsequent actions by non-OPEC producers, completely dominated market activity for the week. Early indications appeared to show an emerging consensus for an upward revision to quotas, pushing prices lower, but trading late in the week reflected growing concerns that any output increase likely to gain approval might be too small to reverse the global inventory decline. The end result was a net decrease in crude oil prices for the week, but gains in products.

Crude oil - began the week with a drop below \$30 per barrel (WTI) for the first time in nearly a month, largely in anticipation of the OPEC meeting. Other factors, including April NYMEX contract expiration and a larger-than-expected weekly stockbuild, contributed to further declines through Wednesday. Prices turned upward Thursday and Friday, as traders focused on statements from officials of OPEC member countries showing continued disagreement about the need for output increases.

Gasoline - prices fell sharply on Monday, but rose in most markets the rest of the week, reflecting both a partial correction to declines since the beginning of March, and continuing concerns over expected supply tightness in the coming driving season. West Coast markets were the major exception, as California prices continued to fall back from inflated mid-month levels caused by refinery problems and low stocks.

Distillate - markets moved mostly higher after Monday, in a modest recovery from the "oversold" conditions that had resulted in negative crack spreads the previous week. Despite a small stockdraw for the week ending March 17, inventories remained within the normal range.

U.S. Spot Crude Oil and Product Prices



CHRONOLOGY OF RECENT MARKET EVENTS

- 3/24 - rising** - all prices rose strongly, led by products, in trading characterized by shortcovering ahead of the OPEC meeting beginning Monday. Traders noted OPEC's lack of agreement on the need to increase production, which has prompted concerns that any output boost agreed upon may be too small to rebalance markets.
- 3/23 - mixed** - most prices moved higher in relatively uneventful trading, as markets awaited Monday's OPEC meeting in Vienna. Near-month crude oil futures fell slightly, with traders seen as reluctant to hold long positions ahead of the meeting.
- 3/22 - mixed** - price movements were again varied, with crude oil declining for a fourth straight day, but most products rising. The decline in crude was ascribed to a larger-than-expected stockbuild in the weekly supply reports, along with reports of a growing consensus within OPEC for increasing production. Gasoline was lifted by rumors of a cat cracker problem at a Northeast refinery.
- 3/21 - mixed** - crude oil prices continued to fall ahead of April futures contract expiration at the close, while products moved higher. Anticipated production increases from OPEC and other exporters were cited, along with expectations for the weekly API and EIA supply reports.
- 3/20 - falling** - all prices fell solidly, led by a drop in WTI spot and futures below \$30 per barrel for the first time in nearly a month. Traders continued to focus on expectations for next week's OPEC meeting, with no significant new developments reported.
- 3/17 - falling** - prices declined across the board in pre-weekend profit-taking, amid continued speculation about possible actions by OPEC at its March 27 meeting. A small reduction in Nigerian output, due to a pipeline leak, had little effect on markets.
- 3/16 - rising** - crude oil led product prices upward after two days of decline, despite a lack of significant new developments on the global supply outlook. The Explorer Pipeline restarted at 80 percent of capacity after a weeklong shutdown due to a leak in Texas.
- 3/15 - falling** - all prices moved sharply lower, on reports indicating a likely OPEC output increase on the high side of previous expectations. WTI spot and futures prices fell below \$31 per barrel, and New York Harbor gasoline under 90 cents per gallon, each for the first time in more than two weeks.
- 3/14 - falling** - spot and futures prices fell marketwide, amid reports that major OPEC producers were ready to increase output starting in April. Gasoline continued to show the largest declines, returning crack spreads to more typical seasonal levels.
- 3/13 - mixed** - price movements were varied in cautious trading, as markets awaited further signals from OPEC members. Crude oil and distillate prices moved moderately higher, while gasoline continued to ease from recently elevated levels.